

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6274**

**BILL NUMBER:** HB 1194

**NOTE PREPARED:** Jan 11, 2010

**BILL AMENDED:**

**SUBJECT:** Public Safety Officer Layoff and Reinstatement.

**FIRST AUTHOR:** Rep. Tyler

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** \_\_\_ GENERAL  
**X** DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill:

- (1) provides that the reinstatement rights of a laid-off member of a city police or fire department, or a laid-off member of a sheriff's department, terminates five years (instead of three years) after the day on which the member's layoff begins;
- (2) allows a member of the 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund) who is laid off (including a member who was laid off after May 31, 2008, and before July 1, 2010, if, before October 1, 2010, the member repays to the 1977 Fund all refunded contributions) to remain a 1977 Fund member entitled to receive certain disability or death benefits without the member or the department that laid off the member paying contributions;
- (3) provides that a member terminates membership in the 1977 Fund on the earlier of: (A) the date the member's reinstatement rights terminate; or (B) five years after the date the member was laid off;
- (4) allows a member of the sheriff's department who is laid off (including a member who was laid off after May 31, 2008, and before July 1, 2010, if, before October 1, 2010, the member repays the net amount of the member's wages contributed to and returned by the pension trust) to remain an employee beneficiary of the department's pension trust and entitled to receive certain disability or death benefits without the member or the department that laid off the member paying contributions; and
- (5) provides that a member terminates membership in the pension trust of the department that laid off the member on the earliest of: (A) the date the member is hired or rehired by another sheriff's department or law enforcement agency; (B) the date the member's reinstatement rights terminate; or (C) five years after the date the member was laid off.

**Effective Date:** July 1, 2010.

### **Explanation of State Expenditures:**

### **Explanation of State Revenues:**

**Explanation of Local Expenditures:** Specific data are not available on the number of police officers, firefighters, and members of sheriff departments who will be laid off under the circumstances laid out in the bill, and if the individuals are rehired and whether the rehire will be within the required five-year period. Examples of potential impacts are provided below.

*1977 Police and Fire Fund-* The normal cost for death and disability benefits under the 1977 Fund for a police officer or firefighter hired at age 27½ is about 5% of salary, or \$2,500 annually for a salary of \$50,000. The fiscal impact of this proposal for this individual would therefore be roughly \$2,500 for each year that the eligible police officer or firefighter is laid off. If it is assumed that, on average, the layoff period is three years, then the total fiscal impact for that individual could be estimated at \$7,500.

As an illustration, if there is a total of 200 police officers and firefighters who are laid off and have continuing death benefit and disability coverage as provided under this proposal, then the total fiscal impact is estimated to be \$1,500,000 for this example (\$2,500 annual cost times three years of layoff times 200 participants). This fiscal impact may be prorated depending on the number of participants that might be affected.

*Sheriff Pension Plans-* With many different pension plans with varying levels of death and disability coverage, an estimate to cover all plans is also difficult. For this estimate, it is assumed that annual costs for death and disability coverage would be about 2.5% of salary. With an average salary of roughly \$39,000 and an assumed layoff period of three years, the total fiscal impact for a single participant is estimated to be approximately \$2,900 (2.5% times \$39,000 times three years).

As an illustration, if there is a total of 200 participants in sheriff pension plans who are laid off and have continuing death benefit and disability coverage as provided under this proposal, then the total fiscal impact is estimated to be \$580,000 (\$2,900 cost per participant times 200 participants). This fiscal impact may also be prorated depending on the number of participants that might be affected.

### **Explanation of Local Revenues:**

**State Agencies Affected:** Public Employees' Retirement Fund as administrators of the 1977 Police Officers' and Firefighters' Pension and Disability Fund.

**Local Agencies Affected:** Local units with members in the 1977 Police Officers' and Firefighters' Pension and Disability Fund; County Sheriff's departments.

**Information Sources:** Doug Todd of McCready & Keene, Inc., actuaries for PERF, the 1977 Police Officers' and Firefighters' Pension and Disability Fund; and many County Sheriff's plans 317-576-1508.

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